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CENTRAL INTELLIGENCE GROUP

Overseas Intelligence Budget

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Below is given in general outline a justification and explanation of a budget for all overseas intelligence activities for the fiscal year 1947. The total requirements stated are unvouchered funds. Incorporated in this justification are personnel and expense figures which will indicate the plans for implementation of the overall coverage with an indication of what expenditures may be accrued or obligated during the fiscal year 1947.

I. Need for World-Wide Intelligence Coverage. An understanding of the need for intelligence coverage on a world-wide basis requires an analysis of first, the purpose to be served, and secondly, the means of carrying out such purpose. On the first point, essentially the purpose is to assist in enabling those charged with the task to conceive a sound American foreign policy, and, equally important, to adapt that policy to changing world conditions. Information is the essential ingredient of both policy and its application, and the information must be complete. No Government can be adequately informed without employing clandestine intelligence means to supplement ordinary sources. To be effective, clandestine intelligence cannot be merely spotted here or there for special investigation. It must be an interlocking whole equipped to follow the complex play of world events from country to country and from continent to continent.

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On the second point, in studying means to achieve world-wide coverage, intelligence targets require analysis. An exhaustive analysis would be of prohibitive length, but a single instance is sufficient to indicate the problem. Of primary interest to this Government are the activities of the Soviet Union, and of the Governments and organizations which tend to assist it, particularly for their connotations for the future. This interest finds food for study in almost all of the major countries of the world. Obviously information on such directly influenced countries as Yugoslavia and Roumania is necessary in interpreting Russian activities and plans, but it is no less important and, in the long range perhaps even more so, to know the nature and extent of Soviet political activity in India, Indonesia, Argentina and the Near East, not to exclude almost every other world area.

Although only this one instance is given, it must be understood that the mission of clandestine intelligence is the collection of information regarding foreign nations and nationals affecting U.S. interests which foreign governments, groups or individuals wish to withhold from our Government, and which normally must be obtained by an organization of individuals operating covertly. It is therefore believed fundamental that there is no area in which the supplemental assistance of clandestine intelligence coverage is not required in the provision and maintenance of a body of information adequate for the purposes of the United States Government.

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... Present Status of Overseas Intelligence. At present overseas clandestine intelligence is performed primarily by the Strategic Services Unit. The appropriation upon which it has been required to plan its 1946-1947 operations provides but [] of the unvouchered funds which are essential to its overseas activities. The result has been a most limited coverage of certain vital areas, and no coverage of some areas which, if not at present of the same degree of priority, are of increasing importance. In the priority areas where coverage is attempted, shortage of funds has necessitated serious under-staffing and inadequate provision for the staff. Only through voluntary assumption by those in the field of a tremendous overload is anything approaching satisfactory results achieved. It is obvious that such strain cannot be maintained indefinitely, and under present circumstances recruiting is barely able to keep abreast of replacements. With the present restrictions there is little hope of establishing new foreign posts and extending coverage to a point which might be called barely adequate. All possible stations have been directed to concentrate upon Russian targets which, under the circumstances, inevitably detracts from the coverage of their own area. Yet even with such concentration, the coverage of the whole Russian problem can only be said to be inadequate. 25X1A1A

While the emphasis of this justification is on procurement of intelligence and on overseas activity, it is felt that one factor must be brought out on the home side. Although coverage has been called inadequate above, even so quantities of material are constantly received in Washington. Under the present personnel and budget restrictions, the Washington office is so under-staffed that

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it cannot process what reports are received in order to reach the consumers with information either as quickly or as thoroughly analyzed and appraised as current world problems require. Expansion in the field, therefore, would be a complete waste if Washington were to remain a bottleneck.

25X1A1A The possibilities under the [] budget were discussed above. It is believed inherent in this description that the situation, far from being improved, cannot even be maintained at its current level but must deteriorate without some assistance. Consideration has been given to the fact that an

25X1A1A additional [] might be available, bringing the total for the fiscal year 1947 to [] 25X1A1A

In view of the previous discussion, it is felt that this amount would not give effective support to increased coverage. It would ease somewhat the burden on the current staff and enable them to improve somewhat the production of intelligence. In other words, it would serve merely to offset the deleterious

25X1A1A effect of the [] limitation but not increase the present organization. Consequently, for purposes of discussion of this budget, the figure of [] is used as the basic figure on which 25X1A1A the proposed world-wide coverage would be built. The current organization is essentially the nucleus about which to build for the future, and its framework must be maintained for efficient establishment of an interlocking world-wide system.

III. Priorities. It should be made clear that the top priority targets have objectives more important than those assigned to current operations, but of necessity they cannot be efficiently established without building on the current framework.

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Target No. 1 is broken down into five sub-targets, as all have the same basic end in view but approach it from different areas or angles, and consequently among themselves have a slightly different degree of priority. A summary for requirements of the targets is listed below:

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As stated, the budget for maintenance of current operations is estimated at This is based on the present personnel figures totaling overseas. The target estimates detailed below are in part built on an addition to this current operation, and in part completely new coverage.

Priority Target No. I. The overwhelming priority is assigned to Russia and Russian activities. As explained in the foregoing, the Russian coverage is at present inadequate. All possible present field work is concentrating on information pertaining to Russia, as there is no place now covered which is not affected to greater or lesser degree by Russian activities. With the exception of Africa and Latin and South America, which for present purposes may be discussed as separate targets, all other areas are so inextricably involved in the Russian question that they are made sub-divisions of Target No I, although it is obvious that the areas themselves have situations which require separate coverage. It is contemplated that insofar as possible, the additional coverage herein suggested will be directed primarily to the Russian question and the operations now maintained will turn again to their original aim of covering their specific areas and the particular problems related thereto.

Target No. 1(a). This is Russia, Poland and the Balkans, the area under direct Russian control as opposed to areas of Russian influence in varying degrees. There is at present no coverage worth the name in this area. In Northern, Central and Southeastern Europe there is a total personnel of resting in general on the fringe of the target area. In Central Europe, the personnel is largely occupied with work on commitments to the occupying forces that are in addition to the primary intelligence mission.

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By 30 June 1947, it is contemplated that there would be a total of [] in this area, an increase of

25X1A1A [] Of these, it is planned that some [] be directed specifically on Target 1(a). Because of the
25X1A1A problem faced, this will be the most expensive as well as the most important area to cover. Personal
services, communications and O7 expenses will be particularly high, and are expected to run well above
the average of current operations. In this area also, it will be necessary to carry a sizable reserve
for insurance and emergency payments necessary to the preservation of security. Consequently, it is

25X1A1A estimated that for the coverage of Target 1(a) by [] persons a minimum of [] ~~persons~~ would be 25X1A1A
required for 1947. The cost for this project on an annual basis is estimated at [] 25X1A1A

Target No. 1(b). This is the Far East, particularly China, Siberia and Korea. At present there

25X1A1A is coverage by [] persons, but a considerable portion of their mission is allocated to military commit-
ments which will continue as long as U.S. Forces are maintained in strength in that area. It is there-
fore estimated that to procure adequate coverage of this target, it will be necessary to establish [] 25X1A1A
additional agents in the field. Because of the availability of certain facilities such as military
transportation and supplies, and as experience has indicated that O7 expenditures will be comparatively

25X1A1A low, the estimated cost for the Fiscal Year 1947 is [] The annual rate for maintenance of [] 25X1A1A
additional persons is estimated at [] 25X1A1A

Target No. 1(c). The object of this priority is to develop current operations to a point where 25X1A1A
they may produce adequate coverage on Russian affairs. Thus, at present there are [] persons in Western 25X1A1A
Europe, Northern Europe, Central Europe and Southeastern Europe. This figure includes the figure of []

mentioned under Target No. 1(a), and constitutes the entire holding operation in Europe. Target No. 1(a)

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proposes to project these operations directly into Russian-controlled areas. Target No. 1(c) proposes to produce coverage of Russian affairs in the other European areas which are so vitally affected by Russian activities. As it is established, the holding operation may return to its primary function of covering the internal affairs of those areas. To achieve this purpose an additional persons by 30 June 1947 is deemed necessary. Again O1, O4 and O7 expenses will be rather above the average, and contingencies for insurance and emergency payments will have to be maintained in the interests of security. The additional cost is estimated at for the Fiscal Year 1947. It is estimated that the annual rate of operations will be approximately

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Target No. 1(d). This target is directed towards Southeastern Asia, particularly India, Burma, Thailand and Indonesia. There is, in effect, no direct coverage worthy of the name as there are only persons in the entire region. In India and Indonesia particularly, Russian activities are of vital interest. Adequate coverage would require 197 additional persons by the end of the fiscal year. The estimated cost for 1947 is , and to maintain the operations will cost annually.

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Target No. 1(e). The present coverage by persons in the Middle East is almost wholly inadequate in view of the complex nature and number of major issues in that area, all of which are affected to a greater or lesser degree by Russian influence and activities. At least additional persons will be necessary to establish proper coverage. Experience indicates expenses will run about for 1947 and that the annual rate of operations will be

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Priority Target No. II. At the present time there are [] persons ~~25X1A~~ the whole of the African continent. Complete and detailed coverage is not thought necessary within the near future, but there are important repercussions particularly in Egypt, North and Northwest Africa and the Southern Colonies of events in Europe. An additional ^{25X1A1A} [] persons are estimated as the requirement to fill this need by the end of the fiscal year. Operations in this area are expected to cost slightly less than average, and this additional number could be maintained at an estimated cost of [] for 1947. The estimated annual rate is [] 25X1A1A

Priority Target No. III. Latin and South America. This is an entirely new project assigned to this Unit, and no provision was made for it in the 1946 budget. It is currently estimated that by the end of the fiscal year, field personnel would have to be built to [] It is estimated that the operation will cost [] during 1947 and [] annually.

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<u>TARGET</u>	<u>1ST QUARTER</u>	<u>2ND QUARTER</u>	<u>3rd QUARTER</u>	<u>4th QUARTER</u>	<u>TOTAL</u>
II Personnel Operating Recruiting, training, etc. Totals					
III Personnel Operating Recruiting, training, etc. Totals					

Note 1. Starred figures are estimates of obligations during the quarter for recruiting, training, investigation, and assessment of personnel as well as actual expenses of such personnel before final establishment in the field.

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Note 2. Fiscal year 1947 requirements are figured on an average cost of per annum, per person in the field, for all unvouchered expenditures. This is a reasonable basis for overall estimates while building up operations, although object number breakdowns will be out of proportion, with 02, 03, 08, and 09 disproportionately high during the formative periods, and 04 and 07 correspondingly low. Once established, experience shows that the averages for different areas will vary somewhat. Target 1(a), Russia, will be high as 04 and 07 will be most expensive and it will be necessary to maintain a sizable reserve against insurance which cannot be referred to USECC for security reasons. On the other hand, 1(b), China, is expected to fall below average cost, partly because of military facilities available, partly because experience indicates 07 expenses are lower in that area.

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